

Na Restaurant News

THE NEWSWEEKLY OF THE FOODSERVICE INDUSTRY

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May 20, 1991



Jean-Georges Vongerichten in his new Jo Jo restaurant.

NRN Photo by Stan Godlewski

Jo Jo marks change for Vongerichten

NY chef opens neighborhood spot

by Paul Frumkin

NEW YORK — The debut of Jo Jo by one of New York's top French chefs, Jean-Georges Vongerichten, signals yet another dramatic shift in the local fine-dining restaurant business.

In opening Jo Jo, Vongerichten has stepped away from the luxury dining segment he had come to exemplify during his five years as executive chef at Restaurant Lafayette in the Drake Hotel to run what he modestly calls "a neighborhood restaurant."

His goal for his 75-seat place, he explained, "is to make it casual, make it easy. I don't want this to be a special-occasion restaurant. I want people to walk in off the street."

During his tenure at Lafayette, Vongerichten succeeded in transforming the Park Avenue hotel dining operation into one of only a half-dozen four-star New York Times restaurants, all of which are marked by elegant fare, decor,

service — and premium prices. In rating Lafayette, The 1991 Zagat New York City Restaurant Survey lauded Vongerichten's cuisine as a "new gastronomic frontier" but in the same breath cautioned readers about its "ballistic prices."

Jo Jo, he pointed out, will be more attuned to the current price sensitivity driving the New York fine-dining scene. As was the case with Lafayette, the 64th Street restaurant — formerly Bar du Théâtre — will showcase Vongerichten's cutting-edge style of cooking. But at Jo Jo he has adapted that style to a far more casual setting and at approximately half the price. Whereas Lafayette commanded average dinner checks approaching \$80 per person, Vongerichten is aiming for \$40 to \$45 at Jo Jo.

The structure of his new menu also marks a break from the past. Whereas (See JO JO, page 169)

McLean triggers sales, questions

McD licensees enjoy initial traffic surge, ponder long-term outlook

by Milford Prewitt

OAK BROOK, Ill. — While McDonald's basks in the excitement created by the heavily promoted McLean Deluxe rollout, franchisees and company watchers are less than unanimous about the revolutionary new sandwich's ability to ignite a sustainable domestic sales rebound.

The company would not disclose any figures, but McDonald's operators report that initial sales of the McLean Deluxe low-fat hamburger have

**MCLEAN
DELUXE**

The McLean Deluxe logo.

thing about it is we are seeing new customers."

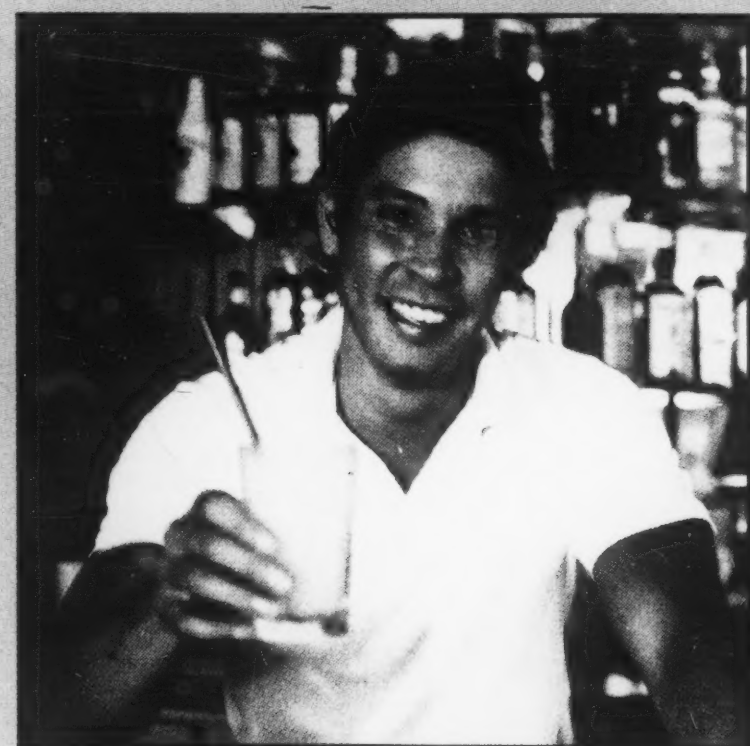
(See MCLEAN, page 169)

been brisk as the curious and nutrition-conscious flock to try the product.

"I really think it's a terrific product, and it is going very well," said Peter Simala, of Alps Management, a seven-unit licensee with 17 years' experience with the chain. "We're giving the customer another choice, and the great

SPECIAL REPORT: SURVIVAL STRATEGIES

HOW TO SURVIVE THE '90s



Rejuvenating beverage sales Page 69



Environmental pressures Page 69

As the decade's first 17 months have shown loud and clear, the 1990s promise to be the most challenging period ever for the foodservice industry. Operators who seize opportunities will also find it an exciting time. In this special report Nation's Restaurant News examines several key issues and trends affecting foodservice and illustrates various success strategies. It probes everything from dealing with widespread environmental and health concerns to savvy battle plans for combating an economic downturn.

Special report starts on page 69

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NEWS BRIEFS

Food costs slowed in April, government says

WASHINGTON — Wholesale food costs rose a scant 1.8 percent in April on a year-to-year unadjusted basis as the costs of chicken, cheese and dairy products plummeted.

According to the U.S. Bureau of Labor Statistics' monthly producer price index, the finished consumer foods component, or wholesale foods, was the softest in three months. In February the category rose 3.2 percent, and in March it slowed to an increase of 3 percent on a yearly, unadjusted basis.

As has been the case for nearly a year, cheese led the pack of major food groups in year-to-year wholesale price declines, falling 5.8 percent from the year-ago figure. Chicken prices tumbled 4.9 percent, while dairy product prices slid 3 percent.

Pork, which had been among the most inflationary food commodities of the last year, rose just 1.3 percent.

Famous group gets rent cuts

SCOTTSDALE, Ariz. — Famous Restaurants Inc. said landlords have agreed to grant the company rent concessions worth in excess of \$11 million.

The struggling operator of the Garcia's Mexican, Casa Lupita and Famous Fish Co. chains said the agreements call for percentage-rent increases if sales rebound. Some of the concessions hinge on the successful completion of debt renegotiations with the company's principal lender, Famous said.

It also noted it would save nearly \$1 million a year for seven years as a result of the concessions, with the balance accruing over the remainder of various leases. In February the company disclosed a temporary agreement, lapsing June 30, to defer certain loan payments and increase working capital.

H & H sells King's Table

BELLEVUE, Wash. — Horn & Hardart has sold International King's Table, operator of 80 buffet restaurants in nine Western states, to Heller International.

In announcing the deal, King's Table also indicated that it is launching two new foodservice concepts and has promoted several officers, including president Colin H. Naughton, who has assumed the additional title of chief executive.

"One new concept centers around the 'scatter system' buffet, and the other features 'All American' food at very competitive prices," Naughton said in a statement.

Under Horn & Hardart, which purchased King's Table in the later 1980s, "we have not been able to remodel older facilities or grow because our debt service costs were too high," Naughton said.

Terms of the sale were not released.

Ark Management plans concept for NY's Seaport

NEW YORK — Ark Restaurant Corp., the multiunit operator here of full-service restaurants, plans to open a new operation in the South Street Seaport later this year.

Ark will open in the already finished 12,000-square-foot space formerly occupied by Flutie's, a seafood restaurant that closed earlier this year. The concept of the restaurant — which will offer seating for 600 to 700 persons — has yet to be decided, said Ark president Michael Weinstein.

Ark's joint venture partner in the deal is Rouse Co., the Columbia, Md.-based operator of the Seaport and other festival marketplaces on the Eastern Seaboard. According to Ark president Michael Weinstein, Ark was approached earlier this year by Rouse and asked to open its popular America concept in the space.

Ark already operates America units in Union Station in Washington, D.C., and Faneuil Hall in Boston as well as the original in New York. Weinstein vetoed the idea, though, saying that another America in New York would dilute the concept.

The lease includes the waiving of all common area management charges, Weinstein said.

Ark's other restaurants in New York include Ernie's, Poiret, B. Smith's and K-Paul's.

Plastifoam ban reinstated in NY's Suffolk County

RIVERHEAD, N.Y. — In a major setback in the battle against foodservice packaging restrictions, a state appeals court has reinstated Suffolk County's ban on polystyrene food containers.

The measure — the first of its kind when it was passed in 1988 — was overturned by a lower court one year later because an environmental impact study had not been conducted to verify that the act would reduce the strain on landfills. That ruling came in a lawsuit filed by a trade association for the plastics industry.

However, the N.Y. Court of Appeals decided in early May that the Society of the Plastics Industry did not have the legal standing to challenge the plastics ban.

After the Suffolk prohibition was passed, some 30 other counties and municipalities banned plastic-foam food containers within their jurisdictions. However, the number of areas seeking outright bans has decreased in the last year as many places explored other possible solutions to the nation's garbage glut.

THF's Bailey tapped for London post

TRUMBULL, Conn. — Michael Bailey, head of Trusthouse Forte's U.S. contract feeding-opera-

NRA SHOW ISSUE

For full schedule of events at the NRA Show, see page 100

tions, has been promoted to managing director of parent company Gardner Merchant Food Services, an assignment that will require his relocation to London.

Bailey's successor as president of Trusthouse Forte Food Services has not yet been named.

The company, based here, now operates 575 facilities in 15 states.

Texas judge strikes down worker's comp reform measure

AUSTIN, Texas — A district judge has struck down the state's worker's compensation reform bill, a measure that the foodservice trade had vigorously promoted in an effort to bridle runaway insurance costs.

The Texas Restaurant Association had been an instigator of the five-year drive to reform the state's worker's compensation system, whose huge losses had driven many insurers out of the state. Many of the remaining underwriters greatly increased their premiums, spurring many restaurateurs to drop their worker's compensation insurance.

At the behest of the business community, the state Legislature curtailed employees' ability to settle compensation disputes in court, where insurers were often ordered by juries to pay claims. The government passed legislation that created a commission to adjudicate most workers' claims and restricted plaintiffs' access to the courts.

Organized labor sued to overturn the 1989 reform law. Agreeing with its contention that the act created an "unreasonable and arbitrary" awards system, state district judge Rey Perez struck down the measure as unconstitutional.

Shareholders okay changing Chili's name to Brinker

DALLAS — Chili's shareholders have voted to change the dinner-house operator's name to Brinker International, underscoring its transformation into a multiconcept concern.

After extensive research, the company decided to take the name of chairman Norman Brinker, one of the foodservice industry's best-known and most respected figures.

FINANCIAL NEWS

Copeland nets big check despite chains' woes

by Peter O. Keegan

NEW ORLEANS — Although Al Copeland Enterprises had a rough year in 1990, struggling under a debt load that has since driven it into Chapter 11 bankruptcy protection, the company's namesake pocketed a whopper of a paycheck.

Chicken king Al Copeland collected more than \$5 million last year. That amount included salary, bonuses, royalties from Popeyes' secret recipe; income derived from partnerships in which Copeland himself is a franchisee; and royalties from Diversified Foods and Seasonings, a Copeland-controlled company that provides spices to Popeyes.

In contrast, ACE — franchisor of the Popeyes and Church's chains — posted a net loss of \$136 million for the year, almost four times the \$36 million lost in 1989, according to the company's 10K filing with the Securities and Exchange Commission.

Although revenues rose 11 percent, to \$460 million, for the year, the company explained that the loss resulted from a \$94.9 million writedown of its investment in the Church's chain.

Copeland acquired Church's for \$398 million in March 1989 and since has been struggling under mounds of increasing debt, which led to the Chapter 11 filing several weeks ago.

A spokeswoman for Copeland was not willing to discuss the chicken mogul's compensation package. Nevertheless, she did indicate that Copeland has reduced his compensation for 1991 to half of what it was last year.

ACE has defaulted on millions in interest and principal



Al Copeland

payments due to lenders Merrill Lynch and a group led by the Canadian Imperial Bank of Commerce. The creditors are continuing to negotiate some type of refinancing or debt reduction arrangement with Copeland, who has 120 days to come up with a restructuring plan under federal bankruptcy laws.

Some insiders say they expect a bankruptcy court judge to bring in an outside auditor to review the company's financial situation.

Copeland's 1990 salary of \$2.06 million, which he has since decreased to \$1 million, included a \$900,000 bonus for the year. He also received \$2.6 million in royalties from ACE for the use of the secret Popeyes recipe that he invented, while Diversified Foods received \$500,000 in royalties for the formula.

Under ACE's bonus plan, the company gave out another \$930,000 to company officers as a group.

Two companies controlled by Copeland — four-unit Fast

Foods of Colorado Springs Inc. and eight-unit Fast Foods of Amite Inc. — were not required to pay franchise royalties for part of 1990, according to the securities filing. It did not state why the assessments were waived.

The company also agreed to let former president James A. Flynn open five Popeyes franchises without having to pay \$125,000 in franchise fees. Former marketing vice president Scott W. Burcham has been permitted to do the same.

In addition, My Favorite Year Inc., a Copeland-controlled entity, executed during 1990 a promissory note payable to ACE in the amount of \$3.3 million. Under the terms of the agreement, MYF is obliged to pay principal and interest on the note until it is paid off in 1993.

In December 1990, ACE's board of directors "deferred the payment of both principal and interest on the MFY note for one year," according to the SEC filing.

In addition, it stated, "during 1990, the company made a provision for credit losses of \$1.2 million in connection with amounts due from Copeland and related entities, due to items in dispute."

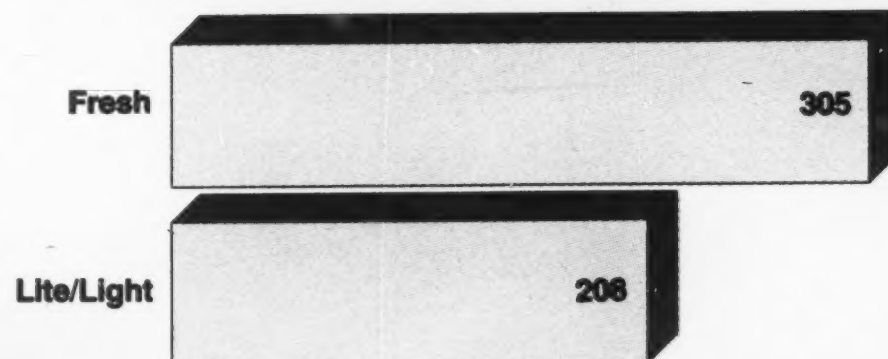
Reasons for the deferments as well as the forgiveness of debt were not spelled out in the SEC filing.

ACE is currently carrying a shareholder deficit of \$164.3 million, leading it to conclude that it will not be able to continue as an ongoing concern without a "forgiveness of a portion of the acquisition indebtedness or a substantial injection of equity capital," according to the SEC filing.

FACT FILE

What's in a label?

Among the approximately 14,500 registered trademarks for packaged food products are quite a few that prominently feature the words 'fresh' or 'lite' in the name:



Source: NameLab Inc.

FINANCIAL DIGEST

TW Holdings loses \$43.3M in 1st Q

SPARTANBURG, S.C. — TW Holdings, the nation's fourth-largest foodservice company, lost \$43.3 million in the first quarter ended March 31, while revenues slipped by 1.9 percent, to \$834,560.

Interest charges related to the company's acquisition of TW Services, the diversified foodservice and contract feeder, and specific operating and economic factors in each of its division were blamed for the first-quarter loss.

A year ago TW Holdings lost \$46.1 million.

With the exception of TW Services, Denny's subsidiary, which turned in a 15-percent gain in business unit profits, nearly all of TW Services' six operating divisions reported declines in both revenues and operating income. The divisions include Hardee's, Quincy's, El Pollo Loco, and the contract feeder, Canteen.

Revenues for Denny's, TW's family restaurant chain, rose by a hair's width, to \$335.8 million, but operating income jumped 15 percent, to \$28.8 million, making the operation the company's most profitable division. The company cited improved labor efficiencies as the reason for the gain.

El Pollo Loco, the quick-serve, char-grilled chicken concept, reported an \$887,000 loss on a 5-percent decline in revenues, to \$23.6 million. A year ago the division made a \$2.1 million profit. The company said lower customer check averages and fewer patrons were responsible for the division's sluggish performance.

TW Services, Hardee's largest franchisee, said its Hardee's restaurants turned in a 12-percent decline in business unit income, down to \$12.9 million, on a 2-percent contraction in revenues, to \$117 million. Hardee's was adversely affected by a 6.2-percent drop in comparable-store sales and lower traffic patterns.

The company's steak-house concept, Quincy's, posted a 2-percent gain in operating income, to \$6.5 million, on a 1-percent increase in revenues, to \$68.6 million. The company said the rollout of a new weekend breakfast program and improved comparable-store sales accounted for the division's slightly improved business performance.

Canteen, one of the nation's largest contract feeder, saw business unit income decrease 24 percent, to \$7 million, while revenues contracted 4 percent, to \$289.4 million. Canteen's performance was marred by layoffs at the operation's industrial accounts, TW said.

Eateries posts profit, vs. year-ago loss

OKLAHOMA CITY — Citing a lower cost of sales and reduced labor and management expenses, Eateries Inc. posted a \$34,000 profit for the first quarter ended March 31, while revenues jumped 26 percent, to \$3.2 million.

Eateries, which operates and franchises the 30-unit Garfield's Restaurants chain, lost \$37,400 a year ago. The company attributed its improved performance to corporate efforts to hold costs.

"Company and franchise Garfields are enjoying both stronger sales and lower costs so far this year," Vincent F. Orza, chairman and president, said in a statement.

Marriott files \$500 million shelf offering

WASHINGTON — Marriott Corp. has filed a shelf offering with the Securities and Exchange Commission for up to \$500 million in principal due to mature in 2006.

The company said the proceeds from the offering would be used for a broad variety of activities, including debt retirement, general corporate purposes and working capital.

A shelf registration is a kind of debenture that allows qualified companies to secure SEC approval without immediately offering the instruments to the public. Companies can keep the debenture "on the shelf" until interest rates or some other economic or corporate factor favors the company's floating the offer.

With Congress and the Federal Reserve Board fighting over lower interest rates, analysts suspect that Marriott is filing a shelf registration confident that interest rates will soon fall.

Recently Vicorp Restaurants and Hilton Hotel Corp. redeemed debt because of falling interest rates.

FOOD PRICE OUTLOOK

Calif. canned fruit prices move up

by Patt Patterson

At the end of April, at least one California packer raised the prices of canned cling peaches, fruit cocktail and fruit mix by 50 cents a case. With inventories tight for most packers, you can expect that to become a trend until the new pack comes in. Most packers are still holding the line on apricots and pears, but that also may change as preliminary crop figures are released.

The outlook for the 1991 crop of cling peaches looks as if it will be smaller than last year's, but firm estimates of the crop size won't be available for at least several weeks. Imports of canned peaches from both Greece and Italy are down drastically, although Chile has increased its canned cling ship-

ments to the United States. Overall, imports are off by about 70 percent.

The California apricot crop was hit by late March hail, and damage could reduce the canned pack by as much as 10 percent. The state's apricot groves have been shrinking for the past two decades, and average prices have been steadily increasing, held down only by diminishing demand.

Green coffee prices are still running below last year's at this time. Both Brazilian and Colombian beans are in good supply, although top grades from Brazil are a little tight. Everyone is still waiting to see what Brazil is going to do about rejoining the International Coffee

Organization quota agreement. Don't expect any changes in price for a while.

Dry bean prices are beginning to move up. The federal government is buying heavily for overseas as part of relief efforts. Reports of poor crops in Argentina and Chile are leading to speculation that export demand will increase. Expect prices to rise further.

California freezers are having a smaller than usual spinach pack this spring. Canners in that state didn't even budget a pack for this season. Eastern packers, both canned and frozen, are reporting average production. It looks as if stocks will be tighter than last year's, with prices rising.